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INFORMATION RELATING TO H. R. 3791

I. The Indian Request

A. FORMAL ORAL REQUEST OF DECEMBER 16, 1950

On December 16, 1950, Madame Pandit, the Ambassador of India requested on behalf of the Government of India that the United States assist India in obtaining two million tons of food grains to meet a critical emergency which, if unrelieved, threatens many parts of the country with famine. This formal request was made orally. The Government of the United States began its consideration of the oral request and asked that it also be made in writing.

B. THE INDIAN NOTE OF FEBRUARY 8, 1951

In accordance with the wishes of the United States Government that the Indian request for assistance be repeated in writing, the Indian Government sent the following note in continuation of the request of December 16, 1950:

Embassy of India,
Washington, D. C., February 8, 1951.

The Secretary of State,
United States Department of State,
Washington, D. C.

Mr. Secretary: Under instructions from the Government of India I have the honor to communicate to you the following:

2. On account of a succession of natural calamities cereal production in India in 1951 is expected to fall short by at least 5.5 million tons as compared with 1950. Although vigorous attempts have been and are being made to increase production, floods made worse by earthquake and subsequent drought have seriously handicapped efforts.

3. In 1950, 3 million tons of cereals—2.1 million tons from imports and 0.9 million tons from Government stocks—were distributed in addition to the grain available within the country. In spite of this, rationing broke down in many parts of India and the ration had to be reduced to below 12 ounces in most states for a long period. Now the ration has had to be temporarily reduced to 9 ounces all over the country.

4. Cereals form the principal part of the diet of the people and 12 ounces provides only 1,200 calories. It is estimated that about 9.9 million tons of grain will be necessary to enable Government to meet its ration obligations in 1951. Out of this quantity approximately 3.5 million tons is likely to be procured within the country. Government of India are arranging to import 4 million tons of grain in 1951, which is all that can be paid for with available funds. This leaves a requirement of 2.4 million tons uncovered.

5. Government of India are facing an exceedingly difficult food situation. Semifamine conditions prevail in many areas and it is apprehended that unless a major part of the deficit is made good by large imports, acute famine conditions are likely to develop later in the year and the situation may well get out of hand.

6. In accordance with the representations that have already been made to you by the Ambassador on December 16, 1950, the Government of India request the United States Government to give them ad hoc assistance during 1951 to obtain

2 million tons of food grains and would greatly appreciate if the grain be supplied on special and easy terms.

I avail myself of the opportunity to convey to you, Mr. Secretary, the assurances of my highest consideration.

M. K. KIRPALANI,
Chargé d'Affaires ad interim.

II. THE INDIAN FOOD SUPPLY

A. DEPENDENCE ON THE MONSOON

1. Average annual rainfall is 45 inches for India as a whole, and the figure remains rather constant.

2. Most of the rainfall comes in the summer monsoon season, June through September. In addition, there are light but important winter rains in the north, and the winter monsoon (November through January) in the southeastern part of India.

3. Distribution of the rainfall from year to year is erratic, bringing these results:

(*a*) Annual variations in cereal production may be as much as 5,000,000 tons.

(*b*) Because total annual rainfall is constant, floods occur in some parts of the country, and this means drought in other areas.

(*c*) Only about one-fourth of the total land area has an assured rainfall, making Indian agriculture heavily dependent on irrigation.

(*d*) Although about 45,000,000 acres are irrigated, about two-thirds of the agricultural acreage is subject to the fluctuations of the monsoon.

(*e*) Production reflects these facts:

(1) Thirty percent of total reported grain acreage is sown in rice, which accounts for more than 40 percent of the total reported cereal production.

(2) More than one-third of the acreage is sown in millets, which can survive on small water supplies, but which contribute only 20 percent of total reported production.

B. DEPENDENCE OF INDIA ON AGRICULTURE

1. Seventy percent of the population depends on agriculture for a living; 30 percent in industry, 10 percent of which are in large-scale industry.

2. Nine-tenths of the total acreage sown is in food crops, but this amounts to about 0.8 acre per person.

3. Indian economy depends almost entirely on the land; agriculture must provide—

(*a*) Food for the country.

(*b*) A livelihood for about three-fourths of the working population.

(*c*) Raw materials for the two leading industries (jute and cotton manufactures).

(*d*) About 35 percent of India's total exports.

4. Eighty percent of the export trade depends directly or indirectly on agriculture.

C. THE INDIAN DIET

1. Yields of Indian agriculture are among the lowest in the world.

2. In normal times, the calorie level of the Indian diet is about 1,600 calories (the 1948 figure was 1,621 calories). This is about 20 percent below the requirements for a minimum balanced died for a tropical country.

3. In 1950, when 3,000,000 tons of food grains were imported, the ration was reduced from 21 ounces per day (1,200 calories) to 9 ounces (900 calories).

4. According to information from the Department of State (Press Release No. 239 of March 30, 1951), the situation in the Purnea area of Bihar Province (northeastern India) is as follows:

* * * while an 8-ounce ration had been authorized for the most needy portion of the population * * *, stocks available in ration shops were insufficient to meet half this meager ration.

D. CROP ACREAGES

1. Food crop acreages in India (figures prepared by ECA, concurred in by Office of Foreign Agricultural Relations, Department of Agriculture):

[Millions of acres]

	1948-49	1949-50	1950-51
Food grains	189.5	195.5	192.2
Oil seeds	23.7	24.1	24.5
Special crops	17.2	18.0	19.0
Total [1]	230.5	237.6	235.7

[1] Of these totals, roughly 40 percent represents double cropping.

2. There are about 60 to 70 million acres of wasteland, out of which India hopes to bring 42,000,000 acres (India's own estimate) into cultivation.

3. Jute acreage:

	Acres
1948–49	830,000
1949–50	1,160,000
1950–51 (estimated)	1,300,000

4. Effect of jute acreage on present food shortage:

Mr. HERTER. There has been a good deal of talk about India transferring some of its food-producing land into jute and cotton in order to make up for their difficulties with Pakistan and also that India increased its acreage in food-producing grains by something like 6,000,000 acres. What is the actual truth of the increase in an effort to take care of this situation themselves?

Mr. TAYLOR. I think that question is equally easily disposed of. It takes very little land to grow all of the jute that is grown, whereas the food grain acreage is upward of 200,000,000 acres and there are only 1,000,000 acres used for all the jute grown in India. The increase this past year was something like 140,000 acres, which, if used for rice, would have made perhaps 50,000 tons and you cannot even say that all of that rice was lost because to some extent the jute is grown as a summer crop on land which again grows rice as a winter crop. So much for the jute.

As to the cotton, the increase in the cotton acreage this past year is something on the order of 1,200,000 acres. We have not heard from the southern part of India yet because their cotton is later than up north, but judging from the three-fourths of the crop which is grown up north where the increase in acreage was

900,000, I would say the total increase in cotton acreage this year was 1,200,000; 1,200,000 acres diverted from food grains or other crops into cotton. That cotton land produces sorghums and millets and other grains. If you calculate about one-fourth of a ton of food grains, or one-fifth of a ton, or one-sixth of a ton of food grains from each of those 1,200,000 acres, you have the maximum sacrifice of food-grain production caused by the diversion into cotton. But even that overstates the case, if I may make one further point. The land that is used for cotton does not necessarily come out of these food grains. They might come out of their oilseeds or they might have come out of other miscellaneous crops; for example, in 1943, after the Bengal famine, India reduced its cotton acreage in order to get more food grains produced.

The acreage of cotton was cut from 20 million down to 10 or 11 million acres, but they did not get that other 9 million or 10 million acres into food grains. They did not get half of that into food grains. They went into all sorts of crops. By the same token, not all diversion of grain land into cotton is to be counted as lost food grains. (Hearings, pp. 34–35.)

E. INDIAN FOOD GRAIN REQUIREMENTS AND SUPPLIES

1. Estimated 1951 food requirements and supplies:

I. Total estimated food grain requirements and supplies for all of India:	*Million tons*
Total estimated food grain requirements for 350,000,000 people	50. 67
Total requirements to be supplied from:	
Total local production of food grains	43. 77
Available pipeline supplies	. 70
Purchases by India, and allocations and transfers under International Wheat Agreement	3. 90
Assistance requested from United States	2. 00
Total	50. 37
Balance needed	. 30
Total	50. 67

II. Total estimated food grain requirements and supplies for all of India by unrationed and rationed population:	*Million tons*
Total requirements for whole population, unrationed and rationed	50. 67
Total requirements for unrationed population	40. 17
To be supplied from total local production	43. 77
Less local production available for ration system	3. 60
Total	40. 17
Total requirements for rationed population of 125 to 130 million people	10. 50
To be supplied from:	
Pipeline supplies available	. 70
Local production available	3. 60
Purchases by India, and allocations and transfers under International Wheat Agreement	3. 90
Assistance requested from United States	2. 00
Total availabilities	10. 20
Balance needed	. 30
Total	10. 50

2. Estimated 1951 food requirements for the rationing system:

		Million tons
For "pipeline" stocks		1. 6
For the rationing system		8. 9
(*a*) For those now in the ration system	7. 9	
(*b*) For those to be brought into the rationing system	1. 0	
Total		10. 5

The pipeline stocks are those necessary to keep supplies flowing from the source of supply through warehouses and the transportation system to the ultimate consumer. The figure of 1.6 million tons is the total amount needed in the pipeline to keep the ration system operating. During 1950, shortages reduced the pipeline supplies by 900,000 tons to a total of 700,000 tons; and many ration shops do not now have supplies to meet the ration. The actual pipeline supplies needed in 1951 is 900,000 tons—to bring the supply back up to the 1.6 million tons needed.

The ration system used 7.9 million tons in 1950 for distribution to about 115 to 120 million people. The same amount will be needed in 1951 for those already in the ration system. About 1 million additional tons will be needed to feed the 10 to 15 million additional people who, because of the shortages, will have to be brought under the ration system.

To meet these requirements, India is forced to rely even more heavily than usual on imports. And even with United States assistance, present estimates show that India will be 300,000 tons short of meeting the requirements. Local production will supply only about 3.6 million tons; and there are 700,000 tons still available in the pipeline. About 6.2 million tons will have to be imported. India is planning to purchase 3.9 million tons; and is requesting 2 million tons from the United States.

F. INDIAN IMPORTS OF FOOD GRAINS FOR 1951—PROCURED OR IN PROCESS OF PROCUREMENT

Supplying country	Commodity	Long tons	Type of transaction
Australia	Wheat and flour (wheat equivalent).	382, 000	Sterling purchase.
Pakistan	do	25, 000	Trade agreement.
Canada	Wheat	290, 000	Dollar purchase.
Argentina	do	666, 500	Barter for jute.
Uruguay	do	30, 000	
United States	do	350, 000	Dollar purchase.
International Wheat Agreement	do	458, 000	Do.
Subtotal, wheat and flour		2, 201, 500	
United States	Milo (grain sorghum)	330, 000	Do.
Thailand	Rice	338, 000	
Pakistan	do	300, 000	Trade agreement.
Burma	do	[1] 223, 000	Sterling purchase.
China	do	50, 000	Barter for jute.
Vietnam (Indochina)	do	30, 000	Purchase.
Egypt	do	5, 500	
Subtotal, rice and milo		1, 276, 500	
Total food grains procured or being arranged		[1] 3, 478, 000	
Additional amounts to be procured with additional funds		[1] 387, 000	
Grand total		3, 865, 000	

[1] At the present time, India is negotiating with Burma for the purchase of an additional 150,000 long tons of rice. If the negotiation is concluded, the rice imports from Burma will total 373,000 long tons, the total procured from all countries will be 3,628,000 long tons, and the additional amounts to be procured will be reduced to 237,000. In addition, India is negotiating with the United States for additional purchases of grain.

G. INCREASE IN INDIA'S INTERNATIONAL WHEAT AGREEMENT QUOTA

India's first quota under the Wheat Agreement in 1949 was 1,042,000 long tons each wheat year (the "wheat year" is August 1 to July 31). In February 1951 India's quota under the agreement was increased by 458,000 long tons to 1,500,000 long tons for each wheat year remaining in the agreement. This new quota applies to the current year. The 458,000 tons will come from the United States, which has the wheat to allocate under the Wheat Agreement. The 458,000 tons is a part of the 3,865,000 long tons that India will purchase during the coming year. (Information supplied by Department of Agriculture.)

H. INDIAN PURCHASES OF MILO IN THE UNITED STATES IN 1950

1. The first milo transaction

In late May and early June of 1950 the milo stocks held by the CCC were becoming a problem. CCC was ready and anxious to sell as much as 500,000 tons to India. Milo was on the sales list at the market price, somewhere slightly above $1.80 per hundredweight. The milo available for sale to India was located in southern Texas. It had a high moisture content, and deterioration and consequent loss was a prospect.

Negotiations with the Indian Government resulted in fixing the price for 200,000 tons at $1.80 per hundredweight, a little under the going export price. The $1.80 per hundredweight price was based on delivery in the Gulf, where the milo was located. This price was arrived at by computing the domestic market price (the St. Louis price) and subtracting from it the cost of freight between Texas and St. Louis. The CCC feels that the $1.80 per hundredweight was a fair price considering the possibility of deterioration, and delivery at the Gulf rather than out of St. Louis. There was apparently some loss to the CCC in the transaction, since the milo was acquired at a price higher than $1.80 per hundredweight.

2. The second milo transaction

As a result of additional negotiations in August and September 1950, arrangements were made for India to obtain an additional 427,431 long tons (about 9,500,000 hundredweight) of milo at $1.40 per hundredweight. The CCC could have sold the milo to India, so far as its legal authority was concerned. However, $1.87 per hundredweight was the price being charged in the market to other export buyers. The CCC as a matter of policy did not feel it could sell milo to India for less than $1.87 per hundredweight. Presumably $1.40 per hundredweight was the maximum India could pay. In any event, it is the maximum that the Indians agreed to pay. ECA was apparently willing to subsidize the India purchase to the extent of 47 cents per hundredweight, the difference between $1.87 per hundredweight, the minimum price at which the CCC felt it could sell, and the amount the Indians felt they could pay. The agreement, so far as the CCC was concerned, was to deliver milo at the export market price at the time of delivery. This is more than $1.87 per hundredweight. Apparently the funds ECA had available were only sufficient to make up the difference between the price India could pay ($1.40) and the minimum price the CCC would sell ($1.87). The difference between

$1.87 per hundredweight and the export market price at the time of delivery is being absorbed by the CCC.

At the time of the negotiations, CCC estimated that the cost it would absorb would amount to 43 cents per hundredweight. As of February 23, 1951, about 5,700,000 hundredweight of the milo in this transaction has been moved and 3,872,000 hundredweight remains to be moved. The cost absorbed by the CCC thus far amount to $3,109,618.18. It is estimated that the cost to be absorbed on the remainder will amount to about $3,490,382. The total cost to be absorbed by the CCC for the whole transaction is now estimated to be about $6,600,000. This is quite a bit more than the CCC estimated at the time of the negotiations. The reason is that the price of milo has been rising continuously. Where the price paid by India, and ECA's contributions are fixed, the CCC must absorb the balance.

Section 112 (e) of the Foreign Assistance Act of 1948, as amended, provides that the price paid as reimbursement to CCC shall fully reimburse it but in no event shall the price be higher than the domestic market price. This difference is being made up to the CCC by the Secretary of Agriculture out of "section 32 funds." These funds, estimated at about $130,000,000 this year, come from 30 percent of the customs receipts set aside for use by the Secretary of Agriculture to—

> encourage the exportation of agricultural commodities * * * by the payment of * * * indemnities for losses incurred in connection with such exportation * * * (Public Law 320, 74th Cong., sec. 32).

With this reimbursement to CCC from section 32 funds, made in accordance with law, there is no "loss" in this sense to the CCC. The actual loss is in the section 32 funds, which will be drawn down in the amount necessary to reimburse the CCC on the milo transaction.

The Second Supplemental Appropriation Act of 1951 (ch. 9, Public Law 911, 81st Cong.) authorizes the President to utilize not to exceed 3 percent of the funds made available for fiscal year 1951 for the purposes of the Economic Cooperation Act of 1948, as amended, to carry out the purpose of the China Aid Act of 1950. The China Area Aid Act of 1950, as amended, makes funds available for economic assistance for any place in China and the general area of China which the President deems not to be under Communist control in such amounts as the President may determine. ECA appears to have considered this as sufficient authority to use $4,500,000 to reimburse the CCC for the price differential in the milo transaction.

I. TYPES OF FOOD GRAINS AVAILABLE IN THE UNITED STATES

1. Composition of first million tons:[1]

	Quantity	Approximate price per ton	Estimated total cost, f. o. b. or f. a. s.
Wheat and other grains:			
Wheat	660,000	$105	$69,300,000
Milo	250,000	61	15,300,000
Corn	70,000	80	5,600,000
Rice	20,000	240	4,800,000
Total	1,000,000		95,000,000

[1] A tentative table of composition. A change in the physical composition of the aid may be necessary if United States reserve requirements change or if prices increase.

It is estimated that about 70 percent of these supplies would come from Government stocks and 30 percent purchased in the open market.

2. Basis used for planning availability of food grains:

Mr. VORYS. We are talking about starving people in India and we are speaking of our country which has exhaustible supplies. If they had 2,750,000 tons of corn last year that they do not have this year—I say corn and millets—I am wondering why it would not be the provident thing to furnish the thing that we can furnish most cheaply, which would have them just as well off as they were last year. * * *

If we give them what they had last year, and something which has the food value, and which costs millions of dollars less, I wonder what would be wrong with that. * * *

Mr. MCARTHUR. Speaking from our standpoint in the way of supplies, a carry-over of wheat at 425,000,000 bushels is very substantial as compared to a probable carry-over of 500,000,000 bushels of corn, as we estimate; 425,000,000 bushels of wheat as against a domestic consumption of about 500,000,000, that is. You see, that is relatively high. I refer to food consumption domestically here.

We estimate this year's consumption of corn at over 3 billion for livestock food and a total of 3.4 billion for feed, industrial uses and probable exports.

We are, therefore, greatly concerned with our corn carry-over. It is important in supporting our own food economy.

Even if we have a normal crop in 1951, we will not gain very much in our corn carry-over, or surplus. This year we are losing, on our carry-over, from over 800 million to probably over 500 million, or perhaps 300.

Therefore, from our standpoint, wheat is far more available and without the same risk that you have in corn. * * *

In the case of wheat we have as of today, probably 160,000,000 bushels of wheat owned by Commodity Credit, uncommitted. Even if we applied the whole 75,000,000 bushels against that, we would still have adequate stocks left.

In the case of corn, while we have over 400,000,000 bushels of corn, we are selling from that stock, largely for feed purposes, considerable amounts every day, and by October 1 it would probably result in a total carry-over of a little over 500,000,000 bushels of which Commodity Credit may not own beyond 200,000,000 at that time.

Mr. VORYS. They put it in tons for me today. We have a wheat carry-over of 10,000,000 tons as of July 1, and at October 1, 13,000,000 tons in corn. Now, when you say "We want the corn and are ready to spend millions of dollars on the corn rather than the wheat," what do you think of that?

* * * * * * *

Mr. FITZGERALD. Another way to put it, Mr. Vorys, is that the 10,000,000 tons of grain which represents 80 percent of the annual requirements of the United States for wheat, whereas 13,000,000 tons of corn only represents 15 percent of the annual requirements of this country for corn.

Mr. MCARTHUR. I might put it in another way, if you will permit. Our estimated crop of wheat for 1951 is, on account of the acreage and the prospective yield, 1,150,000,000 bushels. If we have a 400,000,000 carry-over of wheat, it gives us a supply up to 1,600,000,000 bushels (hearings, pp. 94–95).

J. EFFECT OF LATEST WHEAT FORECAST ON AVAILABILITY OF SUPPLIES IN THE UNITED STATES

1. The wheat forecast of April 1951 (excerpt from Washington Post, April 11, 1951):

CROP REPORT BAD NEWS: YIELD OF WHEAT WORST IN 8 YEARS

(By John W. Ball, Post reporter)

The smallest winter wheat crop in 8 years was predicted yesterday by the Government Crop Reporting Board—726 million bushels; a drop of 173 million bushels under the 899 million bushels foreseen last December.

If the forecast is realized the Nation will have to draw on its reserves, which fortunately are above average, to carry it through next year.

A recent acreage report indicated a spring wheat crop of 300 million bushels. The total wheat crop would thus be only slightly more than a billion bushels—about 100 million less than required.

This situation was immediately seized upon by opponents of the proposal to give 2 million tons (about 80 million bushels) to India, now facing a serious famine. Other observers foresaw a hard fight by stabilization officials to halt a new rise in food costs.

The forecast of 726 million bushels was 25 million under last year and 64 million below the 10-year (1940–49) average.

MANY ACRES ABANDONED

The report estimated that 23.4 percent of all the acreage planted would be abandoned or "not harvested for grain." It also predicted only 12.9 bushels per acre, compared with 14.2 bushels last year and an average of 15.9 for the 10 years, 1940–49.

The 726-million-bushel estimate is only about 70 percent of the 1947 crop when 1,068 million bushels were harvested.

Winter drought, aphis, cutworms, and greenbugs during March in the central and southern Great Plains were blamed for the drop. Wheat experts yesterday said that even the most favorable weather would not bring any great recovery.

One of the Nation's leading commercial forecasters, A. W. Erickson of Minneapolis, called the Government estimate too optimistic. He told the Wichita Rotary Club yesterday that 20 million acres of winter wheat are dead, 16 million badly infested with greenbugs. He called "these staggering losses a national calamity."

BREAKDOWN OF NEEDS

The Nation's requirement, without unusual demands such as the India relief proposal, is about 1,100 million bushels. Of this, 550 million are for food, 200 million for feed, 50 million for seed and industrial use, and 300 million for export.

The export figure cannot be cut, as in previous years, for the United States is committed to deliver about 200 million bushels under the International Wheat Agreement, and another 100 million is exported to long-time customers. Government experts expect a July 1 carry-over of about 425 million bushels. In normal times 300 million would be considered safe. Because of present world conditions, the wheat supply is rapidly becoming a source of concern to economists.

CORN ALSO DISTURBING

Yesterday's disquieting wheat report adds to the worries incurred by recent corn-planting statistics. Agriculture Secretary Charles F. Brannan spent last week end at Des Moines, Iowa, where he pleaded with agricultural leaders from 11 Midwest corn States for increased acreages. Present indications are that the corn on hand on July 1 will be at least 300 million bushels less than the 860 million bushels carry-over of last July. A Government survey on March 19 indicated that plantings would be 5 million acres short of the Government goal of 90 million acres. Brannan fears that unless increased corn acreages can be obtained the result will be disastrous to the next year's meat supply.

The crop report forecast that this year's supplies of citrus fruits will be larger than a year ago. Production of oranges and tangerines was estimated at 113 million boxes, compared with 109 million last year; grapefruit, 44 million crates, contrasted with 36 million a year ago, and 12½ million boxes of lemons, against 11 million last year.

Both egg and milk production was reported slightly below last year.

2. Letter of Secretary of Agriculture, dated April 18, 1951, in reply to a letter on this subject dated April 11, 1951, from Hon. John Kee, chairman, Committee on Foreign Affairs:

DEPARTMENT OF AGRICULTURE,
Washington 25, D. C.

Hon. JOHN KEE,
House of Representatives.

DEAR MR. KEE: This is in reply to your letter of April 11, 1951, in reference to prospective wheat production in the United States this year and the ability of this country to provide 2 million long tons of food grains to India, as provided in H. R. 3017.

Winter-wheat production has been forecast at 726,000,000 bushels as of April 1, 1951, as compared to the long-range forecast of 899,000,000 bushels as of December 1, 1950. Unofficial forecasts were at varying quantities between these two figures on February 12, 1951, when the President submitted his message to the Congress requesting emergency-food assistance for India. In this message it was stated that although we did not have an oversupply of food grains in the existing critical period, the proposed grant of aid would not seriously endanger our supply position. As the deterioration of the winter-wheat crop was a considered possibility at the time of the statement, current official production forecast of a reduced crop does not materially change the stated position.

Deterioration of the winter-wheat crop in the early spring permits a partial recovery through shifts to other grain and increased seeding of wheat in the spring-wheat area. With a production of 726,000,000 bushels of winter wheat, our total production of wheat should exceed 1 billion bushels in 1951. As our prospective carry-over is 400,000,000 bushels, our total supply of wheat for 1951–52 approximates our 1950–51 supply. With total domestic requirements of 730,000,000 bushels, it is estimated that we shall have approximately 700,000,000 bushels for export and carry-over. As it is estimated that we will export 350,000,000 bushels in 1951–52, our prospective carry-over July 1, 1952, would be 350,000,000 bushels compared to 308,000,000 July 1, 1950, and an estimate of 400,000,000 July 1, 1951.

It has been proposed that present appropriations be limited to permit the shipment of only one-half of the grant of 2 million tons. The first million tons could be composed of 600,000 tons of wheat, 310,000 milo, 50,000 corn, 20,000 rice, and 20,000 beans. This proposal would commit only 22.5 million bushels of wheat until further opportunity has been afforded to examine the needs of India and the continuing ability of this country to supply the second million tons of the grant.

The deterioration of the winter-wheat crop will necessitate a careful management of the available wheat supply in this country and may require partial substitution of other grains by foreign claimants looking to this country for food grains; however, the avoidance of starvation in India would justify a greater risk to our own well-being than that indicated by present production and supply conditions.

Sincerely yours,

CHARLES F. BRANNAN, *Secretary.*

III. INDIA'S DEVELOPMENT PLAN

A. OBJECTIVES OF THE PLAN

The scheme of development proposed for India is designed to improve the standard of living, to provide a minimum of social services and to supply sufficient capital and consumer goods to restrain inflation. To achieve these objectives it is proposed:

(*a*) To undertake certain basic public development such as irrigation and rural electrification, in order to increase agricultural production.

(*b*) To increase the supply of fertilizers, agricultural implements, and building materials, at a reasonable cost, in order to raise the yield of land under cultivation.

(*c*) To develop and improve transport facilities.

(*d*) To promote the full use of existing industrial equipment and capacity, and to extend the production of iron and steel.

(*e*) To encourage industry in the villages in order to provide work for the underemployed and unemployed rural population.

B. COST OF 6-YEAR DEVELOPMENT PLAN

1. *Total cost and financing.*—

	Rupees	Dollars
Total	18,400,000,000	3,864,000,000
To be financed internally	10,300,000,000	2,163,000,000
To be financed externally	8,100,000,000	1,701,000,000

2. *Internal financing.*—For the internal financing, India estimates that it will have an average of 1,716,000,000 rupees ($360,360,000) available for "development in the public sector" each year. The breakdown of this total is as follows:

	Annual average	
Current revenues of Central and State Governments	816,000,000 rupees	($171,360,000).
Surplus of State-owned enterprises	300,000,000 rupees	($63,000,000).
Net borrowings from the public	400,000,000 rupees	($84,000,000).
Proceeds of Railway Depreciation Fund	200,000,000 rupees	($42,000,000).

3. *External financing.*—According to the report by the Commonwealth Consultative Committee, about one-half of the cost of India's development program will have to be raised from external sources (about $360,000,000 the first year, or an average of $285,000,000 per year for 6 years). Of this amount, agreements have been reached with the United Kingdom to provide £35,000,000 ($98,000,000) per year from the blocked sterling balances. This will still leave a considerable sum per year to be obtained from abroad—by loans or grants (about $260,000,000 the first year, or an average of about $187,000,000 per year for 6 years).

C. SCOPE OF THE PLAN AND ESTIMATED 6-YEAR COST OF PROJECTS INVOLVING EXPENDITURE OF OVER 2,500,000 RUPEES

	Schemes in hand		New projects	
	Rupees	Dollars	Rupees	Dollars
I. Agriculture	5,124,000,000	1,075,040,000	569,800,000	119,658,000
II. Transport and communications:				
Railways	4,800,000,000	1,008,000,000		
Roads	389,000,000	81,690,000	607,500,000	127,575,000
Ports and harbors	66,000,000	13,860,000	64,000,000	13,440,000
Other	790,600,000	165,900,000	27,500,000	5,775,000
	6,045,000,000	1,269,450,000	699,000,000	146,790,000
III. Fuel and power	533,000,000	111,930,000	14,500,000	3,045,000
IV. Industry	558,100,000	117,201,000	1,216,000,000	255,360,000
V. Social capital:				
Education	1,039,500,000	218,295,000	99,200,000	20,832,000
Medical	290,200,000	60,942,000	119,000,000	24,990,000
Other	1,308,500,000	274,785,000	126,000,000	26,460,000
	2,638,200,000	554,022,000	344,200,000	72,282,000
Total of all projects	14,898,300,000	3,127,643,000	2,843,500,000	597,135,000

D. CONTRIBUTIONS TO COLOMBO PLAN BY COMMONWEALTH COUNTRIES

The following Commonwealth countries have made contributions to the Colombo plan:

1. Canada: Offered to contribute the sum of $25 million (Canadian) this year to the whole area plan if other countries made additional contribution.

2. Australia: Contribution of £25 million (Australian) for the 6-year period, of which £7 million will be available this year.

3. United Kingdom: Agreed to release £35 million annually to India. The release is not specifically tagged for the Colombo plan, but the understanding is that it will be used for this purpose. Britain counts this as her contribution to the Colombo plan.

E. STATEMENT OF THE INDIAN FINANCE MINISTER, DECEMBER 7, 1950, ON THE USE OF INDIA'S STERLING BALANCE

Statement made in Indian Parliament by the Finance Minister on December 7, 1950:

Sir, I wish to make a brief statement on the arrangements recently agreed with the Government of the United Kingdom for release from our sterling balances. The House is aware that the present sterling balance agreement entered into in July 1948 will terminate on the 30th of June 1951. As a result of my recent discussions with Mr. Gaitskell, Chancellor of the Exchequer in the United Kingdom, the two Governments have now agreed on the broad outlines of a new agreement to be formally concluded in due course. The contemplated agreement will provide for a release up to £35,000,000 from our sterling balances in each of the 6 years beginning July 1, 1951. Provision will be made for a measure of flexibility by stipulating that any part of the amount not drawn in a particular year will be carried forward and added to the releases for later periods. Further, the two Governments will consult together if in any year the Government of India finds it necessary to exceed the release of £35,000,000 and to draw upon time releases for subsequent periods by more than £5,000,000. The latest balance in our sterling account is £619,000,000. Of this, a certain amount will be utilized under the present agreement before the 30th of June 1951 to meet the probable deficit in our balance of payments of the next few months. A part of our sterling balance will have to be maintained over a long period as a currency and exchange reserve. Having regard to all these considerations, the Government of India are of the view that a proposed scale of releases over a period of 6 years is in the best interest of the country.

IV. India-Pakistan Trade Agreement

A. RATE AND LIFE OF AGREEMENT

Agreement signed on February 25, 1951, became effective on February 26, 1951, and runs to June 30, 1952.

B. PRINCIPAL TERMS (BASED ON INFORMATION SUPPLIED BY DEPARTMENT OF STATE)

1. India recognizes the rate of the Pakistan rupee, 40 percent higher than the value of Indian rupee since devaluation in September 1949.

2. Pakistan will furnish food grains as follows:

(*a*) 1951—325,000 long tons as follows:

(1) 158,400 tons of rice by June 30, 1951.
(2) 141,600 tons of rice by December 31, 1951.
(3) 9,000 tons of wheat flour immediately.
(4) 16,000 tons of wheat by June 30, 1951.

(*b*) 1952—425,000 long tons as follows:

(1) 150,000 tons of rice from 1951–52 crop, delivery by October 1952, "crop permitting."

(2) 275,000 tons of wheat from 1951–52 and 1952–53 crops, delivery by October 1952 "crop permitting."

(3) India agrees to permit importation of 20,000 tons of grain from 1951–52 crop, delivery by April 1952, but will not purchase the grain on its own account or guarantee purchases by trader.

3. Pakistan will furnish raw jute as follows:

(*a*) 1,000,000 bales by June 30, 1951 (350,000 bales now held by Pakistan Jute Board and 650,000 bales from private traders).

(*b*) 2,500,000 bales in ensuing 12 months.

4. Pakistan will furnish other products as follows:

(*a*) 250,000 cowhides and 200,000 sheepskins by June 30, 1951.

(*b*) 1,000,000 hides and 600,000 skins in following year.

5. India will supply coal as follows:

(*a*) 600,000 tons by June 30, 1951.

(*b*) 1,500,000 tons during succeeding 12 months.

6. India will supply other products as follows:

(*a*) Smaller quantities of coke, pig iron, galvanized black sheets, structural steel, timber, mustard oil, tires and tubes.

(*b*) After July 1, 1951, 90,000 bales of cotton cloth and 15,000 bales of yarn.

7. India may now buy any quantity of cotton, but if destination quotas are introduced, India will have a quota of 400,000 bales for cotton season 1951–52.

C. PROJECTED INDIA-PAKISTAN TRADE PATTERN FOR 1951 FOR MAJOR COMMODITIES IN THE AGREEMENT

INDIAN EXPORTS TO PAKISTAN

Item	Quantity	Estimated unit price	Estimated value
Coal	1,350,000 tons	$7	$9,450,000
Iron and steel	40,000 tons	400	16,000,000
Cement	100,000 tons	30	3,000,000
Cotton cloth	45,000 bales	350	15,750,000
Cotton yarn	15,000 bales	320	4,500,000
Total			48,700,000

PAKISTAN'S EXPORTS TO INDIA

Raw jute	2,000,000 bales	$75	$150,000,000
Raw cotton	200,000 bales	260	52,000,000
Rice	300,000 tons	120	36,000,000
Wheat	25,000 tons	75	1,875,000
Total			239,875,000

D. IMPACT OF THE TRADE AGREEMENT ON INDIA'S BALANCE OF PAYMENTS (FURNISHED BY DEPARTMENT OF STATE)

In addition to the commodities listed, there is to be trade in a wide variety of other products. In view of the devaluation of the Indian rupee and in keeping with past experience, India should sell more of such miscellaneous exports to Pakistan than it buys from Pakistan, but not nearly enough to offset a balance of trade substantially unfavorable to India. In the full fiscal year before devaluation, April 1948 to March 1949, when there were no substantial restrictions on

trade between the two countries, India had an unfavorable balance of trade with Pakistan of approximately $115 million.

The trade pattern indicates that trade between India and Pakistan may result in a net payment to Pakistan by India of up to $190 million. The significance of this deficit can only be determined by an evaluation of India's trade with the rest of the world.

It is estimated that the value added in manufacturing jute goods in India may amount to about $50 per bale of raw jute, and the value added in manufacturing cotton to about $70 per bale of raw cotton. If this margin could be maintained and if India does not reduce its imports of cotton from other countries, imports of 200,000 bales of cotton from Pakistan would yield India approximately $14,000,000 in foreign exchange.

Imports of 2,000,000 bales of jute compares with the legal imports of at least 1,600,000 bales in 1950. The processing of this additional import could yield up to $40,000,000. Actually, India's return on these manufactures in 1951 is likely to be less than half of these amounts because (1) at least half of the anticipated cotton and jute imports could reach India only toward the end of 1951 and could not be translated into exports until sometime in 1952; (2) current premium prices for jute goods in the New York market are in part a reflection of the threatening stoppage of mill production in Calcutta, and are not likely to be maintained after the settlement; and (3) a large amount of jute from Pakistan (in addition to the reported imports) is believed to have entered India illegally in 1950 and is already reflected in India's foreign exchange receipts.

In evaluating the effect of the new Indo-Pakistan trade agreement on India's international financial accounts in 1951, there may be receipts of up to $55,000,000 resulting from the processing and sale of new jute and cotton to be imported from Pakistan. Against this figure must be placed payments to Pakistan by India. Although the above table indicates that India may have a net trade deficit with Pakistan in 1951 of up to $190,000,000, not all this deficit can be attributed to the new trade agreement. The table indicates probable jute imports for 1951 in the neighborhood of $150,000,000. Approximately four-fifths of this amount (or $120,000,000) was imported in 1950. Thus, the net deficit in India's trade with Pakistan resulting from the new agreement may be in the neighborhood of $70,000,000; and the effect on India's international accounts may be a small deficit if any change at all.

V. Indian Finances

A. INDIA'S STERLING BALANCES

1. Total sterling balances:

[In millions of dollars]

Year:	*Balances*
1946	4,900
1947 [1]	4,600
1948	3,100
1949 [2]	1,740
1950	1,750

[1] Partition of India, Aug. 15, 1947.
[2] Devaluation, Sept. 19, 1948.

2. Release of blocked sterling from India's account:

India's blocked sterling transactions offer an example of the flexibility that exists in fact in the handling of releases. In 1947–48 the agreement provided for the release of £80 million. India did not spend any of this. In 1948–49 the agreement provided for no new release of funds, but permitted India to spend the amount released in 1947–48. However, in 1948–49, India spent £140 million from the blocked account—an overdraw of £60 million. In 1949–50 the agreement approved the release of the £60 million overdrawing and provided for a release of £50 million. It also permitted the release of an additional amount not to exceed £50 million. None of this was spent. In 1950–51 the agreement provided for the release of £50 million and permitted the spending of the unused release made in 1949–50, or a total of £100 million.

B. INDIA'S PRESENT RESERVE POSITION AND REQUIREMENTS (BASED ON TESTIMONY OF ASSISTANT SECRETARY OF STATE THORP)

	Millions of dollars
Reserves:	
Sterling balance	1,750
Gold reserve	247
Working funds	50
Total	2,047
Estimated requirements:	
Currency backing	940
Necessary working capital	200
Total	[1] 1,140
Totals:	
Reserves	2,047
Less requirements	[1] 1,140
Sterling balances in excess of currency backing and trading balances	[1] 907

[1] Some economists believe that this figure should be from $1,300 million to $1,550 million, and the total balance over requirements from $747 million to $497 million. The requirements would be $1,000 million for currency backing and $300 to $500 million for necessary working capital. They point out that India's currency laws are subject to varying interpretations, justifying the figure of $1,000 million. Some economists estimate necessary working capital requirements as 25 percent of the total annual imports of goods and services. On this basis, the estimated requirement would be $300 million. Others use 25 percent of the total foreign trade as the estimating base. On this basis, the figure would be $550 million. Using these estimates, the total estimated requirements are from $1,300 million to $1,550 million; the balance in excess of requirements is from $747 million to $497 million.

C. COMPOSITION OF INDIA'S EXTERNAL DEBT

In 1949, the date of the Census of India's Foreign Liabilities and Assets, the foreign indebtedness of the Indian governments and other official Indian bodies amounted to 5,149 million rupees. India's major foreign creditor was the United Kingdom with claims amounting to 3,942 million rupees, of which 1,537 million rupees was short-term debt. The remaining 1,206 million was widely distributed, with the next largest claims held by Pakistan (277 million rupees), Ceylon (200 million rupees), and the United States (117 million rupees).

Since 1949, India has discharged most of its sterling and dollar obligations shown in the census by payments from sterling balances, but has incurred new obligations to the International Bank and to the International Monetary Fund. At the same time, the dollar value of India's remaining assets and liabilities has been affected by devaluation. Assuming that various small payments provided for in the Indian budget for 1950–51 have actually been made, India's governmental sterling and dollar indebtedness currently consists of the following items:

	Millions of dollars
1. United States surplus property credit repayment in local currency provided	10.8
2. Sterling debt (represents 7 small claims)	2.73
3. International Bank: [1]	
Railway project	30.8
Kans grass project	4
Electric power (represents actual disbursements)	0
4. International Monetary Fund	100
Total	148.33

[1] Total line of credit amounts to $62.5 million.

D. GOVERNMENT OF INDIA BUDGET

1. Important heads of revenue and expenditure

[Dollar equivalent figured at present exchange rate, 4.775 rupees = $1; 1 crore of rupees = 10,000,000 rupees; at present rate of exchange = $2,100,000]

	1938–39 [1]		1947–48 [2]		1948–49		1949–50		1950–51	
	Crores of rupees	Dollar equivalent	Crores of rupees	Dollar equivalent	Crores of rupees	Dollar equivalent	Crores of rupees	Dollar equivalent	Crores of rupees	Dollar equivalent
Heads of revenue:										
Customs	40.51	85,071,000	54.50	114,450,000	126.16	264,936,000	120.43	252,903,000	106.54	223,734,000
Central excise duties	8.66	18,186,000	20.72	43,512,000	50.63	106,323,000	69.19	145,299,000	71.50	150,150,000
Corporation tax	2.04	4,284,000	40.43	84,903,000	62.26	130,746,000	40.60	85,260,000	38.10	80,010,000
Excess profits tax			(26.15)	(54,915,000)	(14.38)	(30,198,000)	(6.05)	(12,705,000)	(5.52)	(11,592,000)
Taxes on income other than corporation tax (including State's share)	15.24	32,004,000	74.57	156,597,000	119.50	250,950,000	108.40	227,640,000	128.68	270,228,000
Excess profits tax			(4.90)	(10,290,000)	(8.11)	(17,031,000)	(3.00)	(6,300,000)	(4.04)	(8,484,000)
Currency and mint	.58	1,218,000	1.25	2,625,000	12.63	26,523,000	9.99	20,979,000	9.52	19,992,000
Profits of the reserve bank	(.20)	(420,000)					(7.61)	(15,981,000)	(7.50)	(15,750,000)
Net contributions to general revenues:										
Railways	1.37	2,877,000			7.34	15,414,000	7.00	14,700,000	6.37	13,377,000
Posts and telegraphs	.19	399,000	2.14	4,494,000	2.36	4,956,000	3.77	7,917,000	4.04	8,484,000
Total tax revenue	75.40	158,340,000	191.79	402,759,000	361.73	759,633,000	342.52	719,292,000	350.04	735,084,000
Percentage of taxes on income to total tax revenue (including corporation tax)	22.9	22.9	60.0	60.0	50.2	50.2	43.5	43.5	47.7	47.7
Total revenue	84.47	177,387,000	178.77	375,417,000	371.70	780,570,000	332.36	697,956,000	338.59	711,039,000
Heads of expenditure:										
Direct demand on revenue	4.24	8,904,000	5.45	11,445,000	8.62	18,102,000	13.69	28,749,000	13.81	29,001,000
Irrigation	.10	210,000	.08	168,000	.06	126,000	.10	210,000	.23	483,000
Debt services (including appropriation for reduction or avoidance of debt)	14.12	29,652,000	19.24	40,404,000	42.53	89,313,000	38.81	81,501,000	36.50	76,650,000
Civil administration	10.90	22,890,000	23.75	49,875,000	35.56	74,676,000	40.39	85,869,000	50.06	105,126,000
Currency and mint	.36	756,000	1.14	2,394,000	2.13	4,473,000	2.43	5,103,000	1.76	3,696,000
Civil workers, etc	2.52	5,292,000	6.28	13,188,000	6.61	13,881,000	8.13	17,073,000	9.97	20,937,000
Defense services (net)	46.18	96,978,000	86.63	181,923,000	146.05	306,705,000	170.06	357,126,000	168.01	352,821,000
Contributions and miscellaneous adjustments between union and State governments	3.06	6,426,000	1.85	3,885,000	2.96	6,216,000	2.96	6,216,000	15.41	32,361,000
Extraordinary items	.01	21,000	1.89	3,969,000	19.45	40,845,000	8.30	17,430,000	3.44	7,224,000
Miscellaneous	3.63	7,623,000	38.98	81,858,000	56.89	119,469,000	50.72	106,512,000	38.70	81,270,000
Total expenditure met from revenue	85.12	178,752,000	185.29	389,109,000	320.86	673,806,000	336.09	705,789,000	337.89	709,569,000
Surplus (+) or deficit (−)	−.64	−1,344,000	−6.52	−13,692,000	+50.84	+106,764,000	−3.74	−7,854,000	+.71	+1,491,000

[1] 1938–39 (undivided India).
[2] 1947–48 (Aug. 15, 1947, to Mar. 31, 1948).

2. Capital budget

[Dollar equivalent figured at present exchange rate, 4.775 rupees=$1; 1 crore of rupees=10,000,000 rupees; at present rate of exchange=$2,000,000]

	1947–48 [1]		1948–49 [2]		1949–50		1950–51	
	Crores of rupees	Dollar equivalent	Crores of rupees	Dollar equivalent	Crores of rupees	Dollar equivalent	Crores of rupees	Dollar equivalent
Receipts:								
New loans	40.95	$85,995,000	55.04	$115,584,000	57.22	$120,162,000	85.36	$179,256,000
Treasury bills	10.00	21,000,000	251.78	528,738,000	−1.38	−2,898,000		
Treasury deposit receipts (net)			3.88	8,148,000	8.50	17,850,000	.75	1,575,000
Other floating loans (net)					79.02	165,942,000		
Small savings (net)	9.11	19,131,000	29.91	62,811,000	25.94	54,474,000	27.85	58,485,000
Other unfunded debt (net)	−.20	−420,000	1.28	2,688,000	3.77	7,917,000	6.72	14,112,000
Railway depreciation and revenue reserve funds (net)	−7.03	−14,763,000	5.81	12,201,000	−4.15	−8,715,000	2.38	4,998,000
Railway development fund (net)	−2.57	−5,397,000	−1.05	−2,205,000	.74	1,554,000	4.53	9,513,000
Other reserve funds (net)	−.01	−21,000	.37	777,000	1.10	2,310,000	−.07	−147,000
Appropriation for reduction or avoidance of debt (net)	5.00	10,500,000	5.00	10,500,000	5.00	10,500,000	5.00	10,500,000
Excess profits and income tax deposits (net)	−61.68	−129,528,000	−13.95	−29,295,000	−25.99	−54,579,000	−41.56	−87,276,000
Repayment of loans by States	4.39	9,219,000	5.37	11,277,000	14.66	30,786,000	13.85	29,085,000
Other items	9.87	20,727,000	34.69	72,849,000	10.50	22,050,000	22.96	48,216,000
Total receipts	7.83	16,443,000	378.13	794,073,000	174.93	367,353,000	127.77	268,317,000
Deficit on capital account	133.41	280,161,000	167.48	351,708,000	120.30	252,630,000	23.94	50,274,000
Grand total	141.24	296,604,000	545.61	1,145,781,000	295.23	619,983,000	151.71	318,591,000
Disbursements:								
Capital outlays:								
Railways	16.79	35,259,000	34.40	72,240,000	20.83	43,743,000	19.49	40,929,000
Industrial development	6.13	12,873,000	7.33	15,393,000	9.55	20,055,000	9.63	20,223,000
Currency and mint	.79	1,659,000	6.49	13,629,000	79.77	167,517,000	.51	1,071,000
Defense capital outlay			132.69	278,649,000	2.40	5,040,000	2.15	4,515,000
Grants to states for development	20.39	42,819,000	14.75	30,975,000	24.12	50,652,000	9.59	20,139,000
Sterling pensions			214.55	450,555,000	−7.42	−15,582,000	−7.37	−15,477,000
Other heads	12.79	26,859,000	−1.22	−2,562,000	24.81	52,101,000	28.00	58,800,000
Discharge of permanent debt	59.57	125,097,000	102.59	215,439,000	68.47	143,787,000	47.61	99,981,000
Advances to states	22.45	47,145,000	31.37	65,877,000	52.55	110,355,000	34.81	73,101,000
Other loans and advances (net)	2.33	4,893,000	2.65	5,586,000	20.15	42,315,000	7.29	15,309,000
Total disbursements	141.24	296,604,000	545.61	1,145,781,000	295.23	619,983,000	151.71	318,591,000
Grand total	141.24	296,604,000	545.61	1,145,781,000	295.23	619,983,000	151.71	318,591,000

[1] Aug. 15, 1947, to Mar. 31, 1948.
[2] Accounts, provisional.

3. Percentage analysis of 1950–51 expenditures

[Dollar equivalents figured on present exchange rate of 4.775 rupees=$1]

[1 crore of rupees=10,000,000 rupees, or at the present exchange rate=$2,100,000]

Heads of expenditure	1950–51 budget		
	Crores of rupees	Dollar equivalent	Percent of total
Direct demand on revenue	13.81	29,001,000	4.087
Irrigation	.23	483,000	.068
Debt service (includes appropriation for reduction of debt)	36.50	76,650,000	10.802
Civil administration	50.06	105,126,000	14.815
Currency and mint	1.76	3,696,000	.521
Civil works, etc	9.97	20,937,000	2.951
Defense services (net)	168.01	352,821,000	49.723
Contributions and miscellaneous adjustments between Union and State governments	15.41	32,361,000	4.561
Extraordinary items	3.44	7,224,000	1.018
Miscellaneous	38.70	81,270,000	11.454
Total	337.89	709,569,000	100.000

VI. United States Loan Transactions

A. EXPORT-IMPORT BANK

1. Excerpt from Export-Import Bank Act of 1945 (59 Stat. 526):

SEC. 2. (a) The Export-Import Bank of Washington * * * is hereby authorized and empowered to make loans, to discount, rediscount, or guarantee notes, drafts, bills of exchange, and other evidences of debt, or participate in the same, for the purpose of aiding in the financing and facilitating in exports and imports and the exchange of commodities between the United States or any of its Territories or insular possessions and any foreign country or the agencies or nationals thereof. The Bank is hereby authorized to use all its assets, including capital and net earnings therefrom, and to use all moneys which have been or may hereafter be allocated to or borrowed by it, in the exercise of its functions as such agency.

(b) It is the policy of the Congress that the Bank in the exercise of its functions should supplement and encourage and not compete with private capital, and that loans, so far as possible consistently with carrying out the purposes of subsection (a), shall generally be for specific purposes, and, in the judgment of the Board of Directors, offer reasonable assurance of repayment.

2. In general, the following policies govern Export-Import Bank loans:

(*a*) The loans must aid and facilitate exports and imports both from the United States and the country receiving the loan.

(*b*) The loans should not be for a period longer than 15 to 18 years at the maximum.

(*c*) The loans should be "sound" from a banking point of view.

(*d*) The loans when made to dollar-short countries should enable them to earn dollars through imports and exports.

(*e*) The loans should be repaid in dollars; the bank deals as a bank, and not on a barter basis.

B. ECA LOANS

1. Table of ECA assistance totals by grant, loan, and conditional aid:

[Millions of dollars]

Country	Total	Grant	Loan	Conditional aid
Total	11,258.2	8,531.4	1,184.7	1,542.2
United Kingdom	2,705.8	1,836.8	336.9	532.1
France	2,277.9	2,034.1	182.4	61.4
Italy	1,227.6	1,068.8	73.0	85.8
Germany (Fed. Rep.)[4]	1,191.8	973.2		218.6
Netherlands	957.8	775.5	150.7	31.6
Belgium-Luxemburg	531.1	17.7	52.6	460.8
Austria	520.4	515.7		4.7
Greece	433.4	433.4		
Denmark	239.1	199.0	31.0	9.1
Norway	219.4	173.5	35.0	10.9
Ireland	146.2	18.0	128.2	
Turkey	121.1	30.8	73.0	17.3
Sweden	118.5		20.4	98.1
Portugal	48.6	5.5	34.7	8.3
Trieste	32.7	32.7		
Iceland	18.5	10.7	4.3	3.5
Spain			62.5	
European Payments Union	350.0	350.0		
Prepaid freight account	56.0	56.0		

2. ECA loan agreements—(a) Loan to Belgium, June 29, 1950.

This Agreement made and entered into as of the 29th day of June, 1950, by and between the Kingdom of Belgium (hereinafter referred to as "Belgium") and Export-Import Bank of Washington (hereinafter referred to as "Eximbank"), an Agency of the United States of America;

WITNESSETH

Whereas the Administrator for Economic Cooperation (hereinafter referred to as "Administrator") has advised Eximbank that in accordance with the provisions of the Economic Cooperation Act of 1948, as amended, a determination has been made to extend assistance to Belgium on credit terms in an amount not exceeding One Million Seven Hundred Seventy-Eight Thousand Dollars ($1,778,000) for financing the acquisition of such commodities and services as are approved by the Administrator; and

Whereas the Administrator has allocated funds to Eximbank for the purpose and in the amount aforesaid by the issuance of a promissory note to the Secretary of the Treasury of the United States, and has specified, after consultation with the National Advisory Council on International Monetary and Financial Problems, the terms upon which Eximbank shall make and administer the credit;

Now, Therefore, It is agreed that:

1. Eximbank hereby establishes in favor of Belgium a line of credit of not exceeding One Million Seven Hundred Seventy-Eight Thousand Dollars ($1,778,000) to assist Belgium in financing the acquisition of such commodities and services as shall be from time to time approved by the Administrator.

2. Simultaneously with the execution of this agreement Belgium has executed in favor of and delivered to Eximbank a promissory note in the principal amount of One Million Seven Hundred Seventy-Eight Thousand ($1,778,000), or so much thereof as may be advanced under the credit hereby established, a copy of which promissory note is attached hereto as Exhibit A.

3. Eximbank will make disbursements for the account of Belgium under the credit in such amounts and at such times as shall be specified by the Administrator.

4. If at any time or from time to time the parties hereto determine that it would be in their common interests because of adverse economic conditions or for any other reasons to postpone, or provide for the postponement of, any installments of interest or principal, or to alter or provide for the alteration of any provisions of the aforesaid promissory note relating to payment of interest and principal, or to modify the aforesaid promissory note in any other respect, they may by mutual agreement in writing provide for any such postponement or alteration or other modification.

5. If the Administrator or Eximbank shall so request, Belgium will at any time or from time to time enter into negotiations with the objective of modifying this agreement so as to provide for the payment of all or any part of principal and interest by the delivery to the United States of America of such materials, required by the United States of America as a result of deficiencies or potential deficiencies in its own resources, as may be designated by the Administrator or by Eximbank, at such prices, at such times and otherwise on such terms as may be mutually agreed upon.

6. Prior to and as a condition precedent to the first disbursement under the credit, Eximbank shall be furnished with:

(a) Evidence of authority of the person who has executed this agreement and the promissory note and otherwise acts as the representative of Belgium in connection with the credit;

(b) An opinion of the Minister of Justice of Belgium, or other Legal Counsel, satisfactory to Eximbank demonstrating to the satisfaction of Eximbank that Belgium has taken all action necessary under its constitution and laws to authorize the contracting of the credit and that the promissory note given to evidence the credit constitutes the valid and binding obligation of Belgium in accordance with its terms.

In witness whereof, the Kingdom of Belgium and Export-Import Bank of Washington have caused this Agreement to be duly executed in duplicate in Washington, District of Columbia, United States of America, on the date first above mentioned.

KINGDOM OF BELGIUM,
By ----------

EXPORT-IMPORT BANK OF WASHINGTON,
By ----------,
Chairman.

Attest:

Secretary.

EXHIBIT A—PROMISSORY NOTE

WASHINGTON, D. C., ----------, *1950.*

U.S.$1,778,000

For Value Received, the Kingdom of Belgium hereby promises to pay to Export-Import Bank of Washington, an Agency of the United States of America, its successors or assigns, the principal sum of One Million Seven Hundred Seventy-Eight Thousand Dollars (U.S.$1,778,000), or so much thereof as may be advanced against this note, in installments as herein set forth, and to pay interest at the rate of two and one-half percent (2½%) per annum on the unpaid principal balance hereof from time to time outstanding from June 30, 1952; such interest to be payable semiannually thereafter beginning on December 31, 1952.

The principal of and interest on this promissory note are payable at the office of Export-Import Bank of Washington, Washington, D. C., in lawful money of the United States of America, unless the parties hereto mutually agree otherwise.

The principal of this promissory note shall be paid in semiannual installments, beginning December 31, 1952, in the amounts and at the times set forth below:

Date	*Amount*	*Date*	*Amount*
December 31, 1952	$55,562.50	December 31, 1961	$44,450.00
June 30, 1953	55,562.50	June 30, 1962	44,450.00
December 31, 1953	55,562.50	December 31, 1962	44,450.00
June 30, 1954	55,562.50	June 30, 1963	44,450.00
December 31, 1954	55,562.50	December 31, 1963	44,450.00
June 30, 1955	55,562.50	June 30, 1964	44,450.00
December 31, 1955	55,562.50	December 31, 1964	44,450.00
June 30, 1956	55,562.50	June 30, 1965	44,450.00
December 31, 1956	55,562.50	December 31, 1965	44,450.00
June 30, 1957	55,562.50	June 30, 1966	44,450.00
December 31, 1957	55,562.50	December 31, 1966	44,450.00
June 30, 1958	55,562.50	June 30, 1967	44,450.00
December 31, 1958	55,562.50	December 31, 1967	44,450.00
June 30, 1959	55,562.50	June 30, 1968	44,450.00
December 31, 1959	55,562.50	December 31, 1968	44,450.00
June 30, 1960	55,562.50	June 30, 1969	44,450.00
December 31, 1960	44,450.00	December 31, 1969	44,450.00
June 30, 1961	44,450.00	June 30, 1970	44,450.00

If less than the face amount of this note shall be advanced hereunder, adjustment shall be made, after final advance hereunder as follows: if the deficiency be more than ten per cent (10%) of the principal face amount of this note, proportionate adjustment shall be made in the amounts of the respective installments of principal; if the deficiency be less than ten per cent (10%) of the principal face amount of this note, adjustment shall be made for such deficiency by making deduction from the last installment or installments of principal.

The Kingdom of Belgium may prepay on any interest date without penalty or premium all or any part of the principal of this promissory note, any such prepayment to be applied to the above installments of principal in the inverse order of their maturity.

Upon default in the prompt and full payment of any installment of principal of or any interest on this promissory note the entire unpaid principal hereof and interest thereon to the date of payment shall immediately become due and be payable at the option and upon demand of the holder hereof. The nonexercise by the holder hereof of such right, with respect to any particular default shall not constitute a waiver of such right with respect to such default or any other default.

This note is issued pursuant to the provisions of that certain Loan Agreement between the parties hereto dated June 29, 1950, and is subject to all of the terms and conditions of said agreement and any amendments thereto.

KINGDOM OF BELGIUM,
By ----------.

(b) Loan to Iceland, July 14, 1950:

This Agreement made and entered into as of the 14th day of July 1950 by and between the Government of the Republic of Iceland (hereinafter referred to as Iceland) and Export-Import Bank of Washington (hereinafter referred to as "Eximbank"), an Agency of the United States of America,

WITNESSETH

Whereas, the Administrator for Economic Cooperation (hereinafter referred to as "Administrator") has advised Eximbank that in accordance with the provisions of the Economic Cooperation Act of 1948, as amended, a determination has been made to extend assistance to Iceland on credit terms in an amount not exceeding Two Million Dollars ($2,000,000) for financing the acquisition of such commodities and services as are approved by the Administrator; and

Whereas, the Administrator has allocated funds to Eximbank for the purpose and in the amount aforesaid by the issuance of a promissory note to the Secretary of the Treasury of the United States, and has specified, after consultation with the National Advisory Council on International Monetary and Financial Problems, the terms upon which Eximbank shall make and administer the credit;

Now, therefore, It is agreed that:

1. Eximbank hereby establishes in favor of Iceland a line of credit of not exceeding Two Million Dollars ($2,000,000) to assist Iceland in financing the acquisition of such commodities and services as shall be from time to time approved by the Administrator;

2. Simultaneously with the execution of this agreement Iceland has executed in favor of and delivered to Eximbank a promissory note in the principal amount of Two Million Dollars ($2,000,000), or so much thereof as may be advanced under the credit hereby established; a copy of which promissory note is attached hereto as Exhibit A;

3. Eximbank will make disbursements for the account of Iceland under the credit in such amounts and at such times as shall be specified by the Administrator;

4. If at any time or from time to time the parties hereto determine that it would be in their common interests because of adverse economic conditions or for any other reasons to postpone, or provide for the postponement of, any instalments of interest or principal, or to alter or provide for the alternation of any provisions of the aforesaid promissory note relating to payment of interest and principal, or to modify the aforesaid promissory note in any other respect, they may by mutual agreement in writing provide for any such postponement or alteration or other modification.

5. Prior to and as a condition precedent to the first disbursement under the credit, Eximbank shall be furnished:

(a) Evidence of authority of the person who has executed this agreement and the promissory note and otherwise acts as the representative of Iceland in connection with the credit;

(b) An opinion of the Minister of Justice of Iceland, or other Legal Counsel, satisfactory to Eximbank demonstrating to the satisfaction of Eximbank that Iceland has taken all action necessary under its constitutional laws to authorize the contracting of the credit and that the promissory note given to evidence the credit constitutes the valid and binding obligation of Iceland in accordance with its terms.

In witness whereof, The Government of the Republic of Iceland and Export-Import Bank of Washington have caused this agreement to be duly executed in duplicate at Washington, District of Columbia, United States of America, on the date first above mentioned.

By (S) THOR THORS.
EXPORT-IMPORT BANK OF WASHINGTON,
By (S) HERBERT E. GASTON, *Chairman.*

Attest:

(S) EDWARD S. CONGER,
Secretary.

EXHIBIT A—PROMISSORY NOTE

WASHINGTON, D. C., *July 14, 1950.*
U.S.$2,000,000

For value received, The Government of the Republic of Iceland hereby promises to pay to Export-Import Bank of Washington, an agency of the United States of America, its successors or assigns, the principal sum of Two Million ($2,000,000), or so much thereof as may be advanced against this note, in installments as herein set forth, and to pay interest at the rate of two and one-half percent (2½%) per annum on the unpaid principal balance hereof from time to time outstanding from June 30, 1952; such interest to be payable semiannually thereafter beginning on December 31, 1952.

The principal of and interest on this promissory note are payable at the office of Export-Import Bank of Washington, Washington, D. C., in lawful money of the United States of America, unless the parties hereto mutually agree otherwise.

The principal of this promissory note shall be paid in semiannual installments, beginning June 30, 1956, in the amounts and at the times set forth below:

[Schedule of repayments: $36,000 each June 30th and December 31st from June 30, 1956, through December 31, 1983.]

If less than the face amount of this note shall be advanced hereunder, adjustment shall be made, after final advance hereunder, as follows: if the deficiency be 10% or more of the principal face amount of this note, proportionate adjustment shall be made in the amounts of the respective installments of principal; if the deficiency shall be less than 10% of the principal face amount of this note, adjustment shall be made for such deficiency by making deduction from the last installment or installments of principal.

The Government of the Republic of Iceland may prepay on any interest date without penalty or premium all or any part of the principal of this promissory note, any such prepayment to be applied to the above installments of principal in the inverse order of their maturity.

Upon default in the prompt and full payment of any installment of principal of or any interest on this promissory note the entire unpaid principal hereof and interest thereon to the date of payment shall immediately become due and be payable at the option and upon demand of the holder hereof. The nonexercise by the holder hereof of such right, with respect to any particular default shall not constitute a waiver of such right with respect to such default or any other default.

This note is issued pursuant to the provisions of that certain Loan Agreement between the parties hereto dated July 14, 1950, and is subject to all of the terms and conditions thereof.

By THOR THORS.

C. ESTIMATED COST OF $190,000,000 LOAN TO INDIA

1. Computed on following basis:

Amount	$190,000,000.
Time	32½ years.
Interest	2½ percent.

Terms: (*a*) Interest payments semiannually from July 1, 1952, to December 31, 1983—(31½ years) at a fixed rate. (*b*) Principal payments semiannually beginning on July 1, 1956, and running to December 31, 1983—(27½ years) at a fixed rate.

2. Costs:

(a) Interest payments, July 1, 1952, through December 31, 1955 (Or semiannual payments of $2,375,000; or $4,750,000 annually)	$16, 625, 000. 00
(b) Payments of interest and principal from July 1, 1956, through December 31, 1983:	
Semiannual	4, 736, 103. 66
Annual	9, 472, 207. 32
(c) Total payments from July 1, 1956, through December 31, 1983	265. 333, 804. 96
(d) Total interest payments, July 1, 1952, through December 31, 1983	91, 958, 804. 96
(e) Total interest and principal	281, 958, 804. 96
(f) Total amount of loan	190, 000, 000. 00
(g) Total cost of loan	91, 958, 804. 96

VII. Movement of Grains

A. RAIL TRANSPORTATION

1. Boxcars for shipment of grain to ports (testimony of Dr. D. A. Fitzgerald, Economic Cooperation Administration, hearings p. 84):

In the case of boxcars we need somewhere around 25,000 to 27,000 boxcars of grain delivered at the ports a month in order to export 1.3 million tons. The difficulty of getting that many into movement of grain for export, in the light of all the other competing demands there are for boxcars in the country, is going to be, in my opinion, the most difficult problem. The Department of Agriculture and the Defense Transportation Agency are currently working on an order which would require permits for the shipment of grain to port so that the urgent programs can be called forward and if there has to be any slip in loadings of grain, it can fall on those destinations in which the requirements are less urgent. A permit system, of course, will not guarantee cars and it may well be necessary if this program is to be largely implemented, to use ICC car service orders to require the delivery of empty boxcars to the grain areas in order that it may move to port. We think, Mr. Chairman, it can be done, but it is going to interfere with other movements in this country, at least to some extent.

2. Cost of rail transportation:

The cost of rail transportation will, in effect, be paid out of funds made available for the purchase of grain. The export price of grain per unit is quoted "f. a. s."—freight alongside ship—the cost of the grain per unit delivered at the pierhead. In other words, the price per unit is a delivered price and includes the cost of the grain plus the delivery charge to the export loading point. This is true whether the grain is bought at one point to be shipped to the port or whether it is bought at an elevator at the port; the price includes delivery from point of origin.

B. OCEAN TRANSPORTATION

1. *Ships required.*—One hundred and twelve sailings at an average carrying capacity of 9,000 tons per vessel will be required to move 1 million tons of grains; 90 to 100 Liberty ships will be necessary to meet requirements.

2. *Availability of Government-owned vessels.*—An estimated 12 vessels will be ready for loading from 2 to 3 weeks after final approval of the program, to be followed by 25 sailings per month thereafter.

3. *Availability of commercial vessels.*—At the present time it is understood that no appreciable number of commercially owned and operated United States flag vessels can be obtained at present charter market rates; and there is little likelihood that additional commercial tonnage will become available at least within the next 9 months.

4. *Freight rates.*—Present rates in the commercial freight market for shipping grain from United States Gulf ports to India are in the neighborhood of $25 per ton.

5. *Turn-around time.*—Approximately 110 to 134 days, assuming maximum efficiency in the use of port facilities.

6. *Costs of reactivation and operation.*—(*a*) Reactivation and repair cost per ship is approximately $140,000. (*b*) Working capital to be advanced to general agents on the basis of 110- to 134-day turn around is approximately $200,000 per vessel.

7. *Character of general agents, who will operate ships for Government account (information supplied by Maritime Administration).*—In all cases the general agents who will operate ships under this program for the account of the United States Government will be the established shipping lines—all actual ship operators—which have long years of vessel-operating experience. The same is true of general agency operations under other Government programs. There are not—and there will not be—any "paper corporations" or tax avoidance corporations acting as general agents or otherwise involved in this program. On the contrary, the general agents will consist of such well-known shipping lines as American-Export Line, American President Line, American Hawaiian, Lykes Bros., Moore McCormack Lines, Grace Line, Luckenbach Line, Farrel Line, United States Lines, and other similar experienced United States shipping companies.

VIII. Strategic and Critical Materials

A. TABLE OF PRINCIPAL STRATEGIC MATERIALS SHOWING TOTAL EXPORTS BY INDIA TO ALL COUNTRIES, AND TOTAL EXPORTS BY INDIA TO THE UNITED STATES, IN QUANTITY AND VALUE

Material	Total export by India to all countries		Total export by India to the United States	
	Amounts	Value (expressed in dollars)	Amounts	Dollar value
1. Manganese (calendar year 1950)	795,971 long tons	$19,881,525	585,971 long tons	$14,649,275
2. Mica (all grades) (calendar year)	340,000 hundredweight (estimated)	[1] 25,900,000	260,000 hundredweight (estimated)	19,888,935
3. Jute and jute manufactures (fiscal year 1950)	925,255 long tons	[2] 299,739,930	[3]	[2 4] 66,331,650
4. Miscellaneous ores (fiscal year 1950):				
(a) Cyanite	24,965 long tons	[2] 733,000	8,455 long tons	[2] 240,000
(b) Chrome	5,202 long tons	[2] 255,165	1,730 long tons	[2] 159,025
Total		346,509,620		101,268,885
5. Monazite	10,000 long tons (production)[5]	[6] 3,000,000		
Total		349,509,620		101,268,885

[1] Estimated maximum.

[2] Figure calculated on the present value of the rupee—21 cents. The rupee was valued at about 30 cents until Sept. 18, 1949, when India devalued. If figured to take account of the devaluation, the calculation would be made on value from July 1, 1949, to Sept. 18, 1949, at 30 cents per rupee, and the period from Sept. 18, 1949, to June 30, 1950, at 21 cents per rupee. The total dollar value on this basis would be less than the figure given in the table.

[3] No figure available for total tonnage for jute and jute manufactures. However, burlap accounts for 90 percent of the total jute manufactures. In fiscal year 1949–50, India exported 682,191,387 yards of burlap to the United States, having a total value of $65,345,490, figured on the basis of the 21-cent rupee. The figure would be less if figured to take account of the devaluation of the rupee on Sept. 18, 1949.

[4] Includes export tax.

[5] Estimated total maximum quantity now available above ground in India. Export has been prohibited since 1946.

[6] Estimated on basis of $300 per ton. The price per ton is also an estimate. The present price in the United States is 17½ cents per pound ($350 per ton) c. i. f. (cost, insurance, freight) Atlantic coast ports for monazite sand having a minimum total rare earth concentrate including thorium or cerium oxide of 65 percent. Information is not available as to whether all the Indian monazite would meet this price requirement.

B. MANGANESE AND MICA—TOTAL EXPORTS BY INDIA TO ALL COUNTRIES, AND TOTAL EXPORTS BY INDIA TO THE UNITED STATES, BY QUANTITIES, 1941–50

Year	Manganese		Mica	
	Total exports by India to all countries	Total exports by India to the United States	Total exports by India to all countries	Total exports by India to the United States
	Long tons	*Long tons*	*Hundredweight*	*Hundredweight*
1941	558,455	322,241	208,334.60	105,498.80
1942	599,254	440,354	170,679.30	118,992.25
1943	712,424	514,142	201,602.70	166,205.66
1944	151,621	[1] 199,073	72,240.01	38,913.63
1945	171,276	[1] 177,787	95,644.21	70,134.70
1946	434,600	331,922	216,125.94	134,410.76
1947	491,044	376,001	192,666.29	107,625.04
1948	354,639	190,576	361,869.34	232,900.79
1949	543,111	383,217	393,678.57	175,302.22
1950	795,261	585,971	340,000.00	200,000.00

[1] From information available, the discrepancy in export and import figures may be explained thus: Because of shipping shortages, supplies contracted for in 1 year may have been reported as an export but not actually moved and reported as an import until the following year.

C. MANGANESE

1. Indian exports of manganese in 1950 to all countries totaled 795,261 tons. Of this total, the United States took 585,971 tons.

2. Of 585,971 tons which came to the United States in 1950, a total of 206,000 tons, or about 37 percent of the total import, went into the United States stockpile.

3. Stockpiling purchases are made by the United States Government on contract through United States private importers. No government-to-government purchases are being made.

4. On the basis of an average price of $25 per ton, the following shows a dollar analysis of the 1950 manganese imports:

Total imports by United States: 585,971 tons, at $25 per ton	$14,649,275
Total value of stockpile purchases: 206,000 tons, at $25 per ton	5,150,000
Total value of purchases not entering stockpile: 379,971 tons, at $25 per ton	9,499,275

5. Indian manganese is of the highest grade and much in demand in the United States.

6. The Defense Minerals Administration has investigated the manganese situation carefully. It has concluded that for the present it is not desirable to take any steps to expand Indian manganese production. What is needed to expand imports is mainly railway construction and port and harbor development. The Defense Minerals Administration believes the time and financial effort required do not justify the expenditure, especially since a long and exposed sea route is required to get the manganese to this country. As an alternative, the Defense Minerals Administration is taking steps to increase supplies from South America, particularly Brazil. South American manganese is lower in quality than the Indian product, but the Defense Minerals Administration believes that the shorter haul and more protected supply in South America offsets the disadvantage of lower quality.

7. The United States Government is now stockpiling all the Indian manganese it can. The needs of the steel industry are considerable, and if more were acquired by the Government, it would reduce steel production.

D. MICA

1. Indian exports of mica in 1950 to all countries totaled 340,000 hundredweight. Of this total the United States took about 260,000 hundredweight.

2. Of 260,000 hundredweight, which came to the United States in 1950, a total of about 134,855 hundredweight went into the United States stockpile.

3. As in the case of manganese, stockpiling purchases are made through United States private importers on contract rather than by government-to-government purchases.

4. The following is a dollar analysis of the 1950 mica purchases for the stockpile:

Splittings: 13,335,239 pounds, at average price of $1.05 per pound	$14, 002, 300. 95
Block: 73,088 pounds, at average price of $5.92 per pound	432, 680. 96
Film: 77,109 pounds, at average price of $5.11 per pound	394, 026. 99
Total (13,485,463 pounds)	14, 828, 708. 90

E. MONAZITE

1. Monazite is found in the ilmenite sands spread over 75 miles of the coast line of the state of Travancore-Cochin, from Quilon to Cape Comorin on the lower west coast of South India. Monazite constitutes 3 to 5 percent of the ilmenite sands and carries 7 to 10 percent thorium, the rest being phosphates of the rare earth metals of the cerium group.

2. An Indian authority has estimated that the total thorium content of the Indian mineral sands is over 100,000 tons.

3. Normally, India exported 2,000–3,000 tons of monazite per year, but since 1946 no exports have been permitted except for a brief period in 1947. However, it is understood that some monazite is being made available to a French company for development of processing techniques for later use in India.

4. It has been reported that the Government of India and the state government of Travancore-Cochin have entered into a 15-year agreement with two French firms, the Societe de Produits Chimiques des Terres Rares and the Banque Moroccain de Credit, for the construction, equipment, and operation of a plant capable of treating 5 tons of monazite daily (about 1,500 tons a year) and producing certain salts therefrom. Construction funds are to be provided by India: 55 percent by the Government of India and 45 percent by Travancore-Cochin. It is understood that the French company will act as sales representatives for salts outside of India and Commonwealth countries. According to newspaper reports, in August 1950 ground was broken for the construction of this factory, but construction has gone no further. It is understood that one United States company was offered an opportunity to construct a processing plant in India but did not respond.

5. An interdepartmental committee in the executive branch is now studying the problem of negotiations for preclusive buying of monazite.

6. The normal needs of the United States are about 3,500 tons per year, but the need is increasing, and the material is now being stockpiled.

7. The major sources outside the United States are the Dutch East Indies, Brazil, and India. The Dutch East Indies deposits have an estimated maximum productivity of 200 tons per year. Since 1946, when India embargoed exports of monazite, Brazil has been the principal source of supply. Since January 16, 1951, Brazil has embargoed the export of monazite except on a government-to-government basis. No arrangements have been made between the United States and Brazil for monazite on these terms; no negotiations have taken place. India's monazite sands are of high quality, and the supply is practically inexhaustible.

8. Prior to 1946, the United States received 70 percent of its monazite imports from India; and 30 percent from Brazil.

9. Briefly speaking, monazite sands have two important elements: thorium, and the rare earths. Thorium is a fissionable material. The rare earths have a wide variety of strategic uses.

10. Thorium is a potential producer of atomic energy. However, at present, the United States has used it only for research purposes. The Chairman of the Atomic Energy Commission in a letter to the Honorable Charles Kersten, dated March 5, 1951, stated:

> Our present requirement for thorium is confined to the small quantity necessary for our research program on this material. Thorium, however, may in the long run be an important material for the Commission's program. Therefore we have both an immediate and an important long-range concern in thorium and, consequently, a continuing interest in assuring that thorium or monazite containing thorium, is available to the Commission.

The principal demand for monazite sand is for the rare earths and not for thorium. As regards thorium the Department of State has stated that—

> Only one American company is a substantial refiner of monazite. This company sells about half of its current output of refined thorium salts to such ordinary industries as the gas-mantle industry. The remainder is taken by the Atomic Energy Commission. This company has on hand as the result of the processing of monazite for its rare-earth constituents, waste material containing several hundreds of tons of thorium. Current demand for thorium has not been great enough to warrant refining these waste materials for their thorium content.

11. There are about 15 rare earths in monazite sands. They have many direct and indirect military uses, such as those in searchlight arc carbons, portable gasoline-lamp mantles, radio tubes, radio condensers, aerial photographic lenses, optical glass itself as well as a polishing medium for the glass, colored eyeglasses, lighter flints, military pyrotechnics, as a scavenger in the production of explosives, as a purifier in certain alloy steels, and in the new cerium-magnesium alloy for jet engines.

F. JUTE MANUFACTURES (BURLAP) (INFORMATION SUPPLIED BY DEPARTMENT OF STATE; STATISTICS SUPPLIED BY DEPARTMENT OF COMMERCE)

The jute industry has in past years accounted for more than a third of India's total foreign exchange earnings, and almost three-fifths of its dollar earnings. The United States is the leading importer of Indian jute manufactures.

In calendar 1950 the United States received about 80 percent of its jute goods imports from India and paid India approximately 83 percent ($87 million) of United States expenditures on all imported jute manufactures. The value percentage is higher than the quantity percentage because of the large proportion of high quality burlap imported from India.

Burlap comprised about three-fourths of the quantity of jute manufactures imported by the United States in 1950, and about 87 percent of this burlap was supplied by India.

United States burlap imports

[Thousands of yards]

1946	946, 567	1949	759, 362
1947	974, 354	1950	711, 431
1948	861, 789		

Recent statistics from trade sources indicate that almost 70 percent of India's burlap exports in calendar year 1950 went to North America (principally to the United States), about 16 percent to South America, and about 14 percent to other areas. Quantitative data for Indian fiscal years (April through March) are as follows:

India's burlap exports

[Thousands of yards]

	Total	To United States
1946–47	1, 342, 135	807, 981
1947–48	1, 605, 438	920, 872
1948–49	1, 656, 309	856, 624
1949–50	1, 166, 065	682, 191
1950 (6 months)	505, 521	325, 853

The high prices prevailing in the United States and other countries importing jute goods reflect the low level of supplies and increased demand. The decreased supply of jute goods is directly related to the cessation of legal movements of raw jute from Pakistan to the mills in India in 1950. Currently, the successful conclusion of the new India-Pakistan trade agreement is expected to lead to an increased flow of raw jute to the Indian mills and of burlap supplies from India. This agreement, signed February 25, provides that Pakistan will supply India with 1,000,000 bales of raw jute by June 30 of this year, and an additional 2,500,000 bales in the succeeding 12 months.

Directly underlying the high price of burlap in the United States is the large gap, which existed until mid-March, between United States landed price (including the Indian export tax) and the United States

market price (see excerpts from Daily Mill Stock Reporter, below). The bulk of United States burlap imports is in 40-inch, 10-ounce; 40-inch, 7½-ounce; and 36-inch, 7½-ounce constructions. On January 1, 1949, the gap between United States landed price and market price per yard of 40-inch,10-ounce burlap was one-tenth of 1 cent. Just before the outbreak of hostilities in Korea, this gap was sixty-five one-hundredths of 1 cent. While the landed price remained constant until late October, the gap increased to 15.4 cents per yard. On October 21 and again on November 20, India increased its export tax in an attempt to eliminate illegal transactions which resulted from the large gap between landed price and market price in the United States. Although the United States market price did not rise, the United States gap was still about 10 cents at the end of 1950.

These facts indicate that the very high United States price of burlap stems directly from the increase in the United States market price as compared with landed price and is not a result of the Indian export tax. What was a normal markup of one-tenth to one-half cent per yard before Korea, was about 50 times that on March 9, 1951.

The Indian Government found that a resumption of legal imports of raw jute from Pakistan at market prices would nullify the price ceiling on raw jute and make the price ceiling on jute manufactures unworkable. On March 10, therefore, India removed price controls on raw jute and jute goods. With the decontrol of prices in India, the Indian sellers immediately raised their asking price to what they thought the market would bear, a price indicated in large part by the previous United States market price. The new asking price, however, exceeded the price at which United States buyers could enter the market and still sell their products under the stopgap freeze established in the United States on January 26, 1951.

At the time India decontrolled burlap prices, it requisitioned five heavy constructions of burlap. Part of the requisitioned goods is to be used for fulfillment of India's barter agreement with Argentina. Only one of the requisitioned constructions, the 40-inch, 10-ounce construction, is of importance in the United States market. According to the contracts signed by United States buyers, the requisitioning of goods involved in a contract permitted the sellers to cancel the contract. Contracts for burlap which were not requisitioned were unaffected.

It may be noted that India's exports of burlap to Argentina in late 1950 fell below the normal proportion of India's total exports despite the barter agreement. In the same period the United States received a greater-than-normal proportion of India's total exports. It may be for this reason that requisitioning was necessary to eliminate the lag in burlap movements to Argentina.

In comparison with the United States, Argentina has not received large quantities of burlap from India. The share received by the United States in the last half of 1950 was over 62 percent of India's total burlap exports when Argentina received 12½ percent, but for all recipient countries supplies fell short of the demand. In prewar years the United States normally received about 54 percent, and Argentina about 14½ percent.

The present need is for an increased supply of burlap to the United States. In view of the fact that this country has received from India over 65 percent of the latter's burlap exports in 1950 as opposed to a historical pattern of almost 55 percent, it can be said this country is receiving favorable treatment. Increased supplies of raw jute to India will mean increased supplies of burlap to the United States, which is what our country needs.

Until the effects of the Indo-Pakistan Trade Agreement, India's decontrol of jute and burlap prices and the harvesting of the new jute crop can be fully realized in July, readjustments in the market will raise problems in the flow of burlap to the United States. The United States Government in consultation with members of the United States burlap industry, is continuously working to allay these problems.

In summary, the high price of burlap in the United States can be traced directly to forces causing the great gap which until recently existed between United States market price and United States landed price. It remains for the resumption of trade between Pakistan and India (as a result of the Indo-Pakistan Trade Agreement) and the oncoming bumper jute crop in India to take effect and so bring increased supply to bear upon demand and price. As the importer of more burlap than all other nations combined, the United States and its market price will be the dominant factor in determining the world price of burlap in a free market of adequate supply.

[Excerpts from Daily Mill Stock Reporter, Jan. 31, 1951]

Weekly table of New York burlap prices in 1950

[New York spot basis, cents per yard, duty paid, as quoted in the Daily Mill Stock Reporter on dates indicated]

		10-oz. 40s			10-oz. 40s
Jan.	4	19. 15	July	11	17. 25
	10	19. 20		18	18. 00
	17	19. 25		25	18. 75
	24	19. 15	Aug.	1	19. 00
	31	19. 15		8	20. 00
Feb.	7	19. 00		15	21. 75
	15	18. 90		22	23. 25
	21	18. 75		29	23. 50
	28	18. 50	Sept.	6	23. 60
Mar.	7	18. 10		12	24. 50
	14	17. 75		19	25. 25
	21	17. 25		26	27. 00
	28	17. 25	Oct.	3	29. 50
Apr.	4	17. 35		10	30. 75
	11	17. 20		17	31. 25
	18	17. 00		24	32. 00
	25	16. 75		31	31. 00
May	2	16. 55	Nov.	7	30. 00
	9	16. 50		14	31. 00
	16	16. 35		21	33. 50
	23	16. 25		28	31. 25
	30	16. 20	Dec.	5	30. 25
June	6	16. 20		12	33. 25
	13	16. 35		19	32. 75
	20	16. 50		27	32. 50
	27	16. 45		30	32. 50
July	4	17. 00			

Weekly table of shipment burlap prices in 1950

[Cents prices equivalent landed New York, duty-paid, for any mill make, based on India Government export ceilings plus Calcutta shippers' 5 percent sales commission.]

		10-oz. 40s			10-oz. 40s
Jan.	4	15. 85	July	11	15. 85
	10	15. 85		18	15. 85
	17	15. 85		25	15. 85
	31	15. 85	Aug.	1	15. 85
Feb.	7	15. 85		8	15. 85
	15	15. 85		15	15. 85
	21	15. 85		22	15. 85
	28	15. 85		29	15. 85
Mar.	7	15. 85	Sept.	6	15. 85
	14	15. 85		12	15. 85
	21	15. 85		19	15. 85
	28	15. 85		26	15. 85
Apr.	4	15. 85	Oct.	3	15. 85
	11	15. 85		10	15. 85
	18	15. 85		17	15. 85
	25	15. 85		24	18. 25
May	2	15. 85		31	18. 25
	9	15. 85	Nov.	7	18. 25
	16	15. 85		14	18. 25
	23	15. 85		21	22. 70
	30	15. 85		28	22. 70
June	6	15. 85	Dec.	5	22. 70
	13	15. 85		12	22. 70
	20	15. 85		19	22. 70
	27	15. 85		27	22. 70
July	4	15. 85		30	22. 70

G. UNITED STATES "BARTER" TRANSACTIONS OF GRAIN FOR STRATEGIC MATERIALS

1. Section 2 of Public Law 85, Eighty-first Congress (approved June 7, 1949), provides as follows:

* * * Notwithstanding any other provision of law, the Commodity Credit Corporation is authorized, upon terms and conditions prescribed or approved by the Secretary of Agriculture, to accept strategic and cri ical materials produced abroad in exchange for agricultural commodities acquired by the Corporation. Insofar as practicable, in effecting such exchange of goods, normal commercial trade channels shall be u'ilized and priority shall be given to commodities easily storable and those which serve as prime incentive goods to stimulate production of critical and strategic materials. The determination of the quan ities and qualities of such materials which are desirable for stock piling and the determina'ion of which materials are strategic and critical shall be made in the manner prescribed by section 2 of the Strategic and Critical Materials Stock Piling Act (60 Stat. 596). Strategic and critical materials acquired by Commodity Credit Corporation in exchange for agricultural commodities shall, to the extent approved by the Munitions Board of the National Military Establishment, be transferred to the stock pile provided for by the Strategic and Critical Materials Stock Piling Act; and when transferred to the stock pile the Commodity Credit Corporation shall be reimbursed for the strategic and critical materials so transferred to the stock pile from the funds made available for the purpose of the Strategic and Critical Materials Stock Piling Act, in an amount equal to the fair market value, as determined by the Secretary of the Treasury, of the material transferred to the stock pile. Nothing contained herein shall limit the authority of the Commodity Credit Corporation to acquire, hold, or dispose of such quantity of strategic and critical materials as it deems advisable in carrying out its functions and protecting its assets.

2. The original purpose of these provisions was to provide a system for disposing of agricultural surpluses. Public Law 85 has now become an important means for acquiring strategic materials.

3. Since March 10, 1950, strategic materials valued at $7,707,000 have been or are being acquired by the United States for the stockpile under the terms of Public Law 85. The United States, in return, has exchanged or is in the process of exchanging 98,753 long tons of agricultural commodities, as follows:

	Long tons		*Long tons*
Corn	9,475	Grain sorghum	18,700
Wheat	69,924	Cotton	654

4. In addition, barter transactions involving $2,000,000 to $3,000,000 in strategic materials are under consideration.

5. Since February 1, 1951, the Commodity Credit Corporation has suspended sales of wheat to exporters in the market. The CCC wheat stocks are now reserved for commitments under the International Wheat Agreement and for further barter transactions under Public Law 85.

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